

NEW YORK STATE
PUBLIC SERVICE COMMISSION

Case 15-M-0252 – In the Matter of Utility Energy Efficiency Programs

Case 07-G-0141 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules
and Regulations of National Fuel Gas Distribution Corporation for
Gas Service – Conservation Incentive Program

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
CONSERVATION INCENTIVE PROGRAM
UPDATED ENERGY EFFICIENCY TRANSITION IMPLEMENTATION PLAN
ANNUAL REPORT FOR THE 2016 PROGRAM YEAR
DATED: DECEMBER 15, 2017

I. Introduction

On May 12, 2017, Department of Public Service Staff (“Staff”) filed Guidance Document CE-06, “ETIP Annual Reporting Guidance” (“Annual Report Guidance”), specifying summary information that utilities should report, in order to allow Staff to sufficiently monitor Energy Efficiency Transition Implementation Plan (“ETIP”) performance.¹ On June 1, 2017, National Fuel Gas Distribution Corporation (“Distribution” or the “Company”) filed its Updated 2017 Energy Efficiency Transition Implementation Plan for the 2017-2020 Program Years (“2017 Initial ETIP Filing”).² Included in the cover letter of the Company’s filing, Distribution noted that the Company: (1) worked with Staff to better understand the content of the new reporting requirement (i.e., the Annual Report Guidance), and (2) intended to file its completed 2016 Annual Report no later than July 7, 2017. In response to Staff’s newly issued Annual Report Guidance and Distribution’s 2017 Initial ETIP Filing, the Company hereby submits this 2016

¹ Case 15-M-0252 – Guidance Document CE-06, ETIP Annual Reporting Guidance, filed by Staff on May 12, 2017.

² Case 15-M-0252 – Updated 2017 Energy Efficiency Transition Implementation Plan for the 2017-2020 Program Years, filed by Distribution on June 1, 2017.

Energy Efficiency Transition Implementation Plan Annual Report (“2016 ETIP Annual Report”).

II. Portfolio Financial and Savings Activities – Budget Summary

Table 1 provides a summary of funds expended and an estimate of funds encumbered for Distribution’s gas energy efficiency portfolio.

Table 1: Total Gas Portfolio - Funds Expended and Estimate of Funds Encumbered				
	Planned Annual Budget	Expended	Encumbered	Total Expended and Encumbered
Commercial and Industrial Sector				
NRCIP				
Incentives and Services	\$598,000	\$56,513	\$193,488	\$250,000
Program Implementation	\$52,000	\$43,003	\$8,998	\$52,000
Total Program Budget	\$650,000	\$99,515	\$202,485	\$302,000
Residential Sector				
Residential Rebate Program				
Incentives and Services	\$2,500,000	\$2,376,850	\$0	\$2,376,850
Program Implementation	\$150,000	\$132,397	\$0	\$132,397
Total Program Budget	\$2,650,000	\$2,509,247	\$0	\$2,509,247
LIURP				
Incentives and Services	\$4,979,100	\$2,234,256	\$2,744,844	\$4,979,100
Program Implementation	\$510,900	\$508,280	\$2,620	\$510,900
Total Program Budget	\$5,490,000	\$2,742,536	\$2,747,464	\$5,490,000
Total Portfolio				
Total Commercial and Industrial Sector	\$650,000	\$99,515	\$202,485	\$302,000
Total Residential Sector	\$8,140,000	\$5,251,783	\$2,747,464	\$7,999,247
Portfolio Administration	\$950,000	\$722,128	\$227,872	\$950,000
Portfolio EM&V	\$300,000	\$50,655	\$0	\$50,655
Total Gas Portfolio Budget	\$10,040,000	\$6,124,080	\$3,177,822	\$9,301,902

It should be noted that the Portfolio Administration category includes outreach and education supporting Distribution’s full Conservation Incentive Program (“CIP”) portfolio. In addition, a summary of energy efficiency administrative costs recovered through rates has

already been disclosed by the Company, in the final ETIP filing for the 2016-2018 program years.³

As respects significant variances, which the Annual Report Guidance defines as any variance of +/- 25% or greater,⁴ the only significant variance occurs within Distribution's non-residential rebate program ("NRCIP"). As noted in detail in the Company's 2016 Final ETIP filing,⁵ the New York State Energy Research and Development Authority ("NYSERDA") previously performed day-to-day project management and administration of NRCIP, in conjunction with their Existing Facilities Program, based on contractual agreements executed with Distribution. During the 2015 program year, the Company received information communication from NYSEDA that they no longer wanted to perform such services, and as such, Distribution was involved in a competitive procurement process to solicit a new Implementation Contractor to begin work on January 1, 2016. Distribution completed the competitive procurement process on-time, however, the new Implementation Contractor did not meet Distribution's performance expectations for NRCIP.⁶ Customer participation ultimately lagged behind the intended program design, which is the main driver of the significant variance in NRCIP (i.e., the significant variance in both program expenditures and Dth savings).

III. Portfolio Financial and Savings Activities – Savings Summary

Table 2A and Table 2B provide a summary of savings acquired and an estimate of savings committed for Distribution's gas energy efficiency portfolio.

³ Case 15-M-0252 – Updated 2015 Energy Efficiency Transition Implementation Plan for the 2016-2018 Program Years, filed by Distribution on December 1, 2016, at pages 6 and 7.

⁴ Case 15-M-0252 – Annual Report Guidance, at page 3.

⁵ Case 15-M-0252 – Updated 2015 Energy Efficiency Transition Implementation Plan for the 2016-2018 Program Years, filed by Distribution on December 1, 2016, at page 25.

⁶ This Implementation Contractor is no longer the current Implementation Contractor of Distribution's NRCIP.

Table 2A: Total Gas Portfolio - Savings Acquired and Estimate of Savings Committed				
	Annual Target <i>(Per 1/22/2016 Commission Order in Case 15-M- 0252)</i>	Gross Savings Acquired This Year <i>(Per Company Scorecard Reporting)</i>	Gross Savings Committed at Year End <i>(Per Company Scorecard Reporting)</i>	Gross Savings Total <i>(Acquired Plus Committed)</i>
Commercial and Industrial Sector				
NRCIP				
Dth - Primary Metric	172,909.14	3,096.89	903.11	4,000.00
Residential Sector				
Residential Rebate Program				
Dth - Primary Metric	120,803.93	112,355.14	0.00	112,355.14
LIURP				
Dth - Primary Metric	51,628.58	14,599.24	37,029.34	51,628.58
Total Portfolio				
Dth - Primary Metric	345,341.65	130,051.27	37,932.45	167,983.72

Table 2B: Total Gas Portfolio - Savings Acquired and Estimate of Savings Committed				
	Annual Target <i>(Per 1/22/2016 Commission Order in Case 15-M- 0252)</i>	Net Savings Acquired This Year <i>(Applies an Assumed 90% Net- to-Gross Factor to Gross Savings Acquired This Year)</i>	Net Savings Committed at Year End <i>(Applies an Assumed 90% Net- to-Gross Factor to Gross Savings Committed at Year End)</i>	Net Savings Total <i>(Acquired Plus Committed)</i>
Commercial and Industrial Sector				
NRCIP				
Dth - Primary Metric	172,909.14	2,787.20	812.80	3,600.00
Residential Sector				
Residential Rebate Program				
Dth - Primary Metric	120,803.93	101,119.62	0.00	101,119.62
LIURP				
Dth - Primary Metric	51,628.58	13,139.32	33,326.41	46,465.72
Total Portfolio				
Dth - Primary Metric	345,341.65	117,046.14	34,139.20	151,185.35

A discussion of the significant difference⁷ between the planned annual target, and the actual acquired and committed savings for NRCIP, is included above in the “Portfolio Financial and Savings Activities – Budget Summary” section of this 2016 ETIP Annual Report.

IV. Evaluation, Measurement and Verification (“EM&V”)

Table 3 provides a summary of EM&V funds expended and an estimate of EM&V funds encumbered.

EM&V Activity – Gas Portfolio	Planned Expenditures	Expended	Encumbered	Total Expended and Encumbered
Process Evaluation (All Programs)	\$165,000	\$0	\$813	\$813
TRM Implementation Review / On-Going Support	\$135,000	\$50,655	\$6,435	\$57,090
Total EM&V Budget	\$300,000	\$50,655	\$7,248	\$57,902

As respects significant variances, which the Annual Report Guidance defines as any variance of +/- 25% or greater,⁸ two significant variances occur within Distribution’s EM&V portfolio (one for the Process Evaluation and one for TRM Implementation Review / On-Going Support).

When the Company’s initial ETIP filing for the 2016-2018 program years was prepared during 2015,⁹ Distribution planned to conduct a process evaluation of all programs within its gas portfolio. On January 21, 2016, the New York State Public Service Commission (“Commission”) issued an Order which created the Clean Energy Advisory Council (“CEAC”), among other things.¹⁰ Distribution has been involved in the CEAC Steering Committee and has participated in several working groups that support the CEAC. As part of this process, the Company learned that the Metrics, Tracking and Performance Assessment (“MTPA”) Working

⁷ Case 15-M-0252 – Annual Report Guidance, at page 5.

⁸ Case 15-M-0252 – Annual Report Guidance, at page 5.

⁹ Case 15-M-0252 – Initial Energy Efficiency Transition Implementation Plan, filed on July 15, 2015.

¹⁰ Case 14-M-0094 – Order Authorizing the Clean Energy Fund Framework, issued and effective January 21, 2016, at page 52.

Group planned to develop and issue an Evaluation Guidelines Recommendations Report,¹¹ which would ultimately inform Staff’s development and filing of Guidance Document CE-05, Evaluation Measurement & Verification Guidance.¹² As a result, the Company delayed the initiation of a process evaluation, as the evaluation study would have been subject to, and impacted by, the work of the MTPA Working Group and Staff’s newly developed guidance. This in turn could potentially have caused significant re-work to Distribution’s process evaluation. This is the main driver of the Process Evaluation significant variance.

Pursuant to the Commission’s January 22, 2016 Order, utilities, as a unified group, were directed to maintain their own planning, evaluation, Technical Resource Manual (“TRM”), and benefit/cost analysis tools.¹³ Distribution’s TRM Implementation Review / On-Going Support EM&V budget recognized the fact that the Company would need to expend EM&V funding in order to comply with the Commission’s January 22, 2016 Order. However, when the budget was initially set: (1) the dollar amount of EM&V funding needed was unknown, and (2) the Company was unsure if the work would be performed internally or by an external contractor. This is the main driver of the TRM Implementation Review / On-Going Support significant variance.

Table 4 provides a summary of completed EM&V activities.

Table 4: Completed EM&V Activities		
EM&V Activity - Gas Portfolio	Status	Details and Significant Dates
Conservation Incentive Program: Evaluation, Measurement, and Verification Plan for 2016-2020	Completed	The Company completed its EM&V Plan, pursuant to Clean Energy Guidance Document CE-05, and filed the EM&V Plan in Matter 16-02180 on June 1, 2017.

¹¹ Matter 16-01008 – MTPA Working Group Evaluation Guidelines Recommendations Report, filed on October 3, 2016.

¹² Case 15-M-0252 - Guidance Document CE-05, Evaluation, Measurement & Verification Guidance, filed by Staff on November 1, 2016.

¹³ Case 15-M-0252 – Order Authorizing Utility-Administered Energy Efficiency Portfolio Budgets and Targets for 2016-2018, issued and effective January 22, 2016, at page 4.

It should be noted that EM&V expenditures pertaining to the Conservation Incentive Program: Evaluation, Measurement, and Verification Plan for 2016-2020 are included in the “TRM Implementation Review / On-Going Support” category, from a budget perspective, in Table 3 above.

V. Program Summary

Description and Status of Energy Efficiency Programs and Initiatives

A detailed description of energy efficiency programs and initiatives, including program and initiative status, was already included in the Company’s 2016 Final ETIP filing.¹⁴

Program Progress and Associated Activities

Distribution’s progress (expenditures versus budget and savings acquired towards program goals) are reported to the Commission on a quarterly basis in Case 15-M-0252, utilizing the Staff-provided Excel-based ETIP reporting template. Generally speaking, the Company’s Residential Rebate Program and Low Income Usage Reduction Program (“LIURP”) are well-designed, are performing well, and are making progress in acquiring natural gas energy savings. This is evidenced by the fact that both programs have no significant variances to disclose. As respects NRCIP, a narrative of the program’s performance is included above, in the “Portfolio Financial and Savings Activities – Budget Summary” section of this 2016 ETIP Annual Report.

Reforming the Energy Vision (“REV”) Proceeding Coordination

A detailed description of how the Company’s energy efficiency portfolio is interrelated with the REV Proceeding was already included in the Company’s 2016 Final ETIP filing.¹⁵

Impediments, Concerns and Issues

¹⁴ Case 15-M-0252 – Updated 2015 Energy Efficiency Transition Implementation Plan for the 2016-2018 Program Years, filed by Distribution on December 1, 2016.

¹⁵ Case 15-M-0252 – Updated 2015 Energy Efficiency Transition Implementation Plan for the 2016-2018 Program Years, filed by Distribution on December 1, 2016.

NRCIP experienced impediments during the 2016 program year. A narrative of the program's performance is included above, in the "Portfolio Financial and Savings Activities – Budget Summary" section of this 2016 ETIP Annual Report.

New Solicitations and Steps Taken

In response to NRCIP experiencing impediments during the 2016 program year, the Company immediately and successfully contracted with a new Implementation Contractor. The new Implementation Contractor began working on NRCIP on March 1, 2017. In addition, Distribution is re-tooling the outreach and education ("O&E") initiatives that support NRCIP, including reviewing and further enhancing the CIP website.

Distribution will continue to work with the former Implementation Contractor throughout the transition period, in order to ensure a smooth transition for customers. This includes wrapping up all outstanding projects and completing all necessary contractual obligations.

Benefit Cost Analysis ("BCA") Inputs

A detailed description of year over year changes made to BCA inputs and the BCA screening process in general was already included in Distribution's 2017 Initial ETIP Filing.¹⁶

¹⁶ Case 15-M-0252 – Updated 2017 Energy Efficiency Transition Implementation Plan for the 2017-2020 Program Years, filed by Distribution on June 1, 2017.